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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 000290

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FOR GREEN, NSC FOR BADER

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TAGS: [ECIN](#) [PREL](#) [APEC](#) [ECON](#) [HK](#)
SUBJECT: REGIONAL ARCHITECTURE: HK VIEWS APEC AS "DEFINING
REGIONAL ORGANIZATION"

REF: A. STATE 2965
[1](#)B. 09 STATE 128770

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Classified By: Acting Consul General Christopher Marut, Reasons 1.4 (b/
d)

[1](#)1. (C) Summary and Comment: A senior Hong Kong official welcomed Secretary Clinton's January 12 speech on U.S. views toward Asia Pacific Regional Architecture and applauded clear administration statements on the importance of U.S. commitments in Asia. Despite its status as a Special Administrative Region (SAR) of China, Hong Kong protects its policy independence in numerous multilateral organizations that do not require sovereignty as a condition of membership. APEC's broad membership and cooperative nature make it Hong Kong's organization of choice for regional economic engagement. Recent proposals to create other large regional groupings are interesting to Hong Kong, but are unlikely to get much support until questions about membership, obligations, and focus are answered. Asian multilateral organizations' diverse membership makes achieving concrete results difficult, but Hong Kong officials believe any forum without active U.S. participation would be unlikely to produce meaningful outcomes. Hong Kong's own APEC priorities, trade facilitation and support for Small and Medium Enterprises (SMEs), are a good fit with U.S. APEC goals. Hong Kong's expertise in health and pandemic preparedness, as well as concerns about food and product safety, could make it a potential APEC partner for the U.S. on these issues. End summary and comment.

[1](#)2. (C) Econ Unit Chief met with Trade and Industry Department (TID) Deputy Director General (DDG) Leonia Tai Shuk-yiu February 10 to discuss Hong Kong's agenda in those multilateral organizations in which it is a member and hear her views on Secretary Clinton's January 12 speech at the East West Center in Honolulu. DDG Tai oversees the offices that support Hong Kong's participation in trade-oriented multilateral organizations, including APEC, the OECD and the WTO, and reports directly to Hong Kong's APEC Senior Official, TID Director General Maria Kwan Sik-ning.

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Hong Kong an Independent Actor in Multilateral Fora
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[1](#)3. (C) Although the U.S. and Hong Kong cooperate bilaterally on a very wide range of issues, Hong Kong's SAR status limits its participation in multilateral organizations to those that do not require sovereignty as a condition of membership and those that do not deal with national security issues. These restrictions, however, do not prevent Hong Kong from being an active and independent member of numerous international

organizations including the WTO, APEC, the OECD, the Financial Stability Board, the Financial Action Task Force, and many others. In other organizations that are limited to sovereign states, Hong Kong may participate as an observer or as part of the PRC delegation. Tai lamented that Hong Kong officials often had to combat the misperception that they took their marching orders from Beijing. In fact, she said, Hong Kong TID officials rarely met their PRC counterparts outside of official meetings and did not coordinate policy positions in APEC and the WTO with them. (Note: Other Hong Kong Government departments that participate in international fora tell us they meet their PRC counterparts more frequently, but Hong Kong officials insist they do not coordinate policy positions with Beijing in organizations in which Hong Kong is an independent member. End Note.)

¶4. (C) Hong Kong leaders appreciated the United States' important economic and security role in the region, said Tai. Secretary Clinton's January 12 speech and regular visits to the region were a welcome indication of the level of attention Asia would receive from the Obama administration. For Hong Kong, APEC was the defining vehicle for regional economic cooperation. Hong Kong shared U.S. views on the need to promote prosperity in the region, she said, a goal best met through facilitating trade. APEC's broad membership and cooperative structure made it best placed among existing regional organizations to achieve that aim. She acknowledged that APEC's inability to enforce compliance with proposed rules allowed critics to dismiss it as a "talk shop" but argued that APEC's model allowed a wide range of economies with different political and economic systems to participate. She pointed to successful efforts to lower tariff and non-tariff barriers in the region as concrete results of APEC initiatives.

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Asian Multilateralism Values Consensus over Results

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¶5. (C) Efforts to re-orient existing regional groups to focus on results would be a serious challenge, said Tai. ASEAN 1 and ASEAN 3 demonstrated the difficulty of marshaling large groups to achieve concrete collective action in Asia. The China/ASEAN Free Trade Agreement was supposed to go into effect this year, but some members were already looking for ways to back out of agreed commitments in order to protect domestic industry from Chinese competition, she said. Large new proposed bodies like the East Asia Community (EAC) or Asia Pacific Community (APC) were interesting but were unlikely get much support until questions about membership, mission, and obligations were answered. Asian multilateral organizations with broad membership had not traditionally had results-driven cultures, said Tai.

¶6. (C) It would be difficult for many Asian economies to agree to a proposal to create an Asian Free Trade Area (AFTA) that would codify obligations and set penalties, said Tai. Different political systems and levels of economic development argued for smaller and more focused agreements. The Trans-Pacific Partnership (TPP) was a step in the right direction, but Vietnam's bid to join the group could make it unworkable, she predicted, given that other TPP signatories are at a significantly higher level of economic development. Hong Kong might consider applying to join the TPP in the future, said Tai, but the SAR currently had little experience with bilateral or regional trade agreements. Hong Kong had only one Free Trade Agreement (FTA), the Closer Economic Partnership Arrangement (CEPA) with the PRC, although it finished negotiations with New Zealand on its first international FTA in November 2009. The Hong Kong-New Zealand FTA should be approved and go into effect early in 2010, said Tai. TID was also in negotiations with the European Free Trade Association (EFTA members are Iceland, Liechtenstein, Norway, and Switzerland) with an agreement

expected this year, she offered.

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APEC: Hong Kong Supports SMEs,
Possibly Health and Product Safety

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17. (C) Hong Kong's own multilateral priorities and liberal economic philosophy made it a natural partner for some U.S. initiatives in APEC. Trade facilitation, particularly for SMEs, was a key objective for Hong Kong and the SAR would be willing to support U.S. proposals that promoted greater access to international markets for SMEs, said Tai. Hong Kong had a world-class pandemic preparedness regime and might also be a useful partner in health-related initiatives. Finally, Hong Kong-based companies with factories in mainland China have been at the forefront of product safety compliance efforts. This experience might also make Hong Kong an ally on U.S.-sponsored food and product safety initiatives.

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